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NATIONAL INTELLIGENCE DAILY CABLE

Friday 5 May 1978

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NATIONAL SECURITY INFORMATION
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National Intelligence Daily Cable for Friday, 5 May 1978.

The NID Cable is for the purpose of informing senior US officials.

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CANADA-NATO: Defense Proposal

25X1 [] //A Canadian proposal that the high-level NATO meetings this month consider the US-proposed long-term defense program only in broad terms, postponing consideration of a detailed plan until later this year, could gain the support of other NATO members who have been balking at various aspects of the plan. The Canadian maneuver appears to reflect Prime Minister Trudeau's belief that NATO should be run "from the top down."//

25X1 [] //The US-backed program covers the 1979-93 period and is aimed at promoting standardization and compatibility of defense efforts in 10 major problem areas within NATO; its price tag could approach \$85 billion. For this month's top-level NATO sessions--the meeting of defense ministers in Belgium on 18-19 May and the NATO summit in Washington on 30-31 May--the US-backed draft seeks only general agreement to pursue efforts on major aspects of the program.//

25X1 [] //While no specific budgetary actions are called for in this text, the West Europeans have expressed a variety of concerns and would prefer less binding language in several key sections, notably the provision of additional reserve brigades, deployment of a second Dutch brigade to West Germany, and greater cooperation in developing armaments. NATO representatives are to convene Monday to seek agreement on the report on the long-term program to be submitted to the top-level meetings.//

25X1 [] //Trudeau purportedly thinks the Canadian draft logically relates a NATO study on East-West force balance, the trans-Atlantic dialogue on arms standardization and purchasing, and the long-term defense program itself, all without altering the substance of the program and achieving a more political than programmatic approach. The Canadians had previously indicated their reservations on the idea of committing themselves to any program before they were discussed by heads of state and government.//

25X1 [] //Canadian unhappiness with NATO procedural practices had previously surfaced in January over the methods used to select a new deputy secretary general. The Canadians had begun to feel isolated within the Alliance and wanted the slot as a means of influencing NATO decisions. Trudeau's ire was aroused when he was told that the Canadian candidate would not be considered.//

25X1 [] //Trudeau's perception of his domestic political position may have been a secondary consideration in the timing of the Canadian proposal. Trudeau has been under increasing domestic pressure in recent weeks. The traditional four-year interim period between elections has passed--although legally a five-year interim is allowed--and the Prime Minister is slipping in the polls and being attacked for the sad state of the national economy and the decline of the Canadian dollar. He may have calculated that a show of decisiveness on the international scene might produce some much needed support in the press. []

UNITED KINGDOM: Reprocessing Plant

25X1 [] //The British Parliament is likely to approve by the end of this month the construction of a \$1.1 billion nuclear fuel reprocessing plant at the Windscale nuclear facility in northwestern England. With the expansion of this facility, Britain will be able in the late 1980s to process foreign as well as its own spent fuel.//

25X1 [] //The new, government-owned plant is designed to handle 1,200 tons per year of spent fuel from power reactors that use enriched uranium. The British will use half of the capacity to reprocess spent fuel from their advanced gas-cooled reactors; the other half will handle foreign orders for reprocessing.//

25X1 [] //The plant is scheduled to begin operation in 1987 and to be fully operational by 1989. The British and the French will probably at that time share equally in a \$2.2 billion reprocessing order from Japan.//

25X1 [] //The application for the building permit--filed 18 months ago--became a major political issue, involving energy and environmental policies and civil rights. Opponents stressed the threat to the environment and the possibility the plant might contribute to the spread of nuclear weapons.//

25X1 [] //In March, however, a public inquiry recommended immediate construction; it cited the need to conserve fossil fuels, the greater ease of handling inventories of spent nuclear fuel after reprocessing, and the potential foreign exchange earnings from reprocessing fuel for other countries. The inquiry also concluded that, by reprocessing foreign fuel, the new plant would relieve pressure on nonnuclear-weapons states to develop facilities of their own.//

25X1 [] //Parliament has accepted these findings. As a last step, Parliament must approve a special building order that includes a list of safeguards recommended by the inquiry.

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DEVELOPING COUNTRIES: Energy

25X1 [] //With many developing countries scaling down nuclear power programs developed over the past decade, the installed capacity of such programs in Third World countries in 1985 should be 45 percent less than the countries had planned. A detailed survey of the energy situation in 21 developing countries indicates that--given the relative costs and potential availability of other sources of energy--a full-scale commitment to nuclear power is not the optimum strategy for any of the countries.//

25X1 [] //Installed capacity in Third World countries will total 15,000 megawatts by 1985, rather than the 27,000 megawatts originally envisioned. By 1990, nuclear plant capacity should reach no more than 35,000 megawatts, less than one-half the capacity indicated by earlier plans. Four countries--Iran, Brazil, Taiwan, and South Korea--will account for most of the nuclear capacity in developing countries.//

25X1 [] //Large cost increases are the major reason the developing countries are reassessing their programs. The cost of a typical 1,000-megawatt light water reactor coming into operation in 1977 increased to more than \$700 per kilowatt from \$300 four years earlier.//

25X1 [] //A slowing demand for electric power has also been a factor in diminishing the pace of nuclear construction programs in the Third World. The Brazilian Government, for example, has reduced its forecast of growth in electric power needs through 1999 by one-fourth. The developing countries almost certainly will continue to lower their forecasts of power needs as energy costs rise and as real economic expansion falls short of expectations.//

25X1 [] //The sharp rise in costs has seriously undercut the competitiveness of nuclear power plants relative to alternative nonoil energy supplies, particularly coal. Although fuel costs for nuclear facilities are substantially less than for coal-fired power plants, most of this advantage is eliminated when capital charges, including interest costs, are taken into account. Hydroelectric plants offer still lower costs.//

25X1 [] //Brazil, Argentina, Venezuela, Indonesia, Chile, Peru, India, and Turkey have substantial, low-cost hydropower potential. In each country, rapid development of a portion of this potential could satisfy all or most of the projected growth in electric power requirements through the 1980s.//

25X1 [] //Most developing countries have the domestic coal resources necessary to meet all or a large part of their electric power requirements. The quantity of coal needed to generate all the electric power that would be provided by nuclear plants in developing countries is small compared with world reserves.//

25X1 [] //A number of countries in the Third World have abundant natural gas reserves available for use in thermal power plants, although these countries may elect to use some of their natural gas for petrochemical feedstock. The amount of gas required to fuel power facilities is small compared with the

vast reserves in certain developing countries. In Iran, for instance, only about 10 percent of projected gas output would be needed to generate the electric power provided by the 10 nuclear installations scheduled for operation in the early 1990s.//

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[redacted] //Given the costs and availability of alternative energy supplies, most developing countries can delay the decision to use nuclear energy at least until the mid-1980s. If they make large-scale investments in coal plants, they could postpone the decision on nuclear energy indefinitely.//

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[redacted] //Many developing countries are reluctant to abandon their nuclear energy programs even where alternatives are available because of political and prestige factors. But, with few exceptions, their ability to move ahead with such plans will depend on the willingness of major nuclear suppliers to provide subsidized financing. [redacted]

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BRIEF

International

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[REDACTED] //Canadian, British, and West German diplomats have told the US Ambassador in Kingston, Jamaica, that the summit of world leaders in late May proposed by Jamaican Prime Minister Manley to discuss North-South economic issues is doubtful. The Canadian High Commissioner said that Prime Minister Trudeau has advised Manley that the summit is "ill-timed and ill-conceived" and that Manley should do more planning to attract a greater number of key heads of state.//

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[REDACTED] //Despite the fact that key participants such as the West Germans and Canadians would prefer a later date and a more broadly based meeting, Manley has not yet formally re-scheduled or canceled the summit.

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